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S E C R E T SECTION 01 OF 02 DAMASCUS 000950

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TAGS: [ETRD](#) [EFIN](#) [PTER](#) [SY](#)  
SUBJECT: ASSESSING SARG VULNERABILITIES

REF: A. DAMASCUS 865  
[1](#)B. DAMASCUS 866  
[1](#)C. DAMASCUS 868  
[1](#)D. DAMASCUS 949

Classified By: Charge d'Affaires Michael Corbin for reasons 1.4(b,d).

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SUMMARY  
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[1](#)1. (S) The Syrian Accountability Act and other sanctions have had an adverse impact on the SARG, but not to a degree that has modified Syrian behavior on our key issues of concern. Nearly three years after most sanctions were implemented, this cable reflects the Embassy's assessment of both SARG vulnerabilities as of September 2007 and areas we believe should be factored into discussion on how to influence SARG behavior. End summary.

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SYRIAN ARAB AIRLINES  
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[1](#)2. (S) Syrian Air has proven to be the regime asset most vulnerable to unilateral US sanctions and where the effect of sanctions is most obvious to the Syrian public. At the current rate, export licenses for spare parts are not sufficient to sustain the aging Syrian Air fleet. Even if the pace of license adjudication increases, three of nine operational aircraft will be due for complete maintenance overhaul -- beyond just spare parts -- in the next six months. The recent announcement of a tender to lease replacement aircraft is indicative of Syrian Air's limited options for continued operation.

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COMMERCIAL BANK OF SYRIA  
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[1](#)3. (S) The 311 sanctions against the Commercial Bank of Syria (CBS) continue to bother the regime. While the nascent private banking sector is rapidly expanding to fill CBS's declining market share, CBS continues to host the majority of SARG foreign currency reserves (FOREX) and to finance many regime elements, entrepreneurial ventures with non-performing loans. Pressure on CBS constrains regime activities. Much of the SARG's FOREX is now in euros, making CBS an attractive target for multi-lateral sanctions. CBS links with Iranian banks known to be involved in proliferation activities and terrorism should remain a focus of investigation and public criticism.

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14. (S) According to the IMF, Syria,s GDP grew by almost six percent last year. Over the same period, Syria has transitioned from a net-exporter to a net-importer of petroleum by-products. The concurrent increases in the price of oil and Syrian demand for petroleum by-products have dramatically increased the SARG,s cost of subsidizing fuel, threatening its economic growth and currency stability (Ref D). Public criticism and Ba,athist angst over proposed subsidy reforms has so far delayed the SARG from implementing the fiscally-sound, but politically unpopular policy. When compounded with renewed electricity shortages, continued water rationing and the perception of widespread inflation, the SARG can no longer mask its inability to meet the needs of its population.

15. (S) Recent SARG focus on trade with Turkey, Iran, and to a lesser extent, forays into East and South Asia, reflect Syrian recognition of its vulnerability. In addition, Syria,s dependence on open borders through Jordan and Saudi Arabia presents a vulnerability to the benefits it gains from being a transit state of European and Turkish goods going to the Gulf. Although not implemented, Saudi Arabia,s recent threats to close its border to Syrian trade highlighted this vulnerability. More generally, due to the confluence of economic challenges, Bashar faces the possibility of growing public discontent, especially as he advertises himself as the "economic reformer" of Syria.

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HARIRI TRIBUNAL

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16. (S) In our opinion, the Hariri tribunal remains the one source of international pressure that most unnerved the regime in recent memory. The SARG remains primarily concerned with defending its image against the negative press associated with allegations of assassinating a Sunni leader. The possibility that President Asad might sacrifice any member of the Syrian security services to the tribunal continues to be a non-starter for this regime, which relies upon the patronage and loyalty of its omnipresent security establishment. Lastly, Bashar is well aware that, at the height of former prosecutor Mehlis, public statements on Syria,s involvement at the end of 2005, wealthy Syrian Sunni and Allawi business classes started openly considering the possibility of alternatives to the Asad regime. Bashar,s survival instinct, which appears to us as "irrational" concern over the tribunal, actually reflects a more nuanced calculus of political risk. As an effective, existing multilateral mechanism, energizing the Hariri tribunal should remain a priority when engaging the French about Syria.

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IRAQI REFUGEES AND OIL

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17. (S) The absorption of some 1.5 million Iraqi refugees increased Syria,s overall population by nearly ten percent over the past three years. This Iraqi influx significantly increased public anger over the burden of the Syrian subsidy system, the faltering power grid, and inflated real estate and rent prices. (Ref C) At the same time, the recent visit of Iraqi PM Maliki to Damascus highlighted the SARG,s desire to reap the economic benefits of re-connecting Iraqi petroleum with Syrian pipelines, refineries and port infrastructure. (Ref A, B)

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TARGETING REGIME FIGURES FOR TRAVEL BAN

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18. (S) Most regime notables and their immediate families travel to the US and Europe for access to healthcare, business enterprises, tourism and to visit relatives. Individual designations that would ban travel to the US or EU countries would have a significant psychological impact on influential Syrians. Each designation of a regime figure is widely known in Syria,s tightly-knit elite circles. This is equally true with financial sanctions. The issue remains, however, how to come up with public rationales for specific individuals.  
CORBIN